

## **Family Background and Schooling Outcomes in the Baltic Countries**

*Mihails Hazans, Olga Rastrigina and Ija Trapeznikova*

**One of the most interesting but least studied effects of transition on inequality is the effect on intergenerational mobility. In the three Baltic countries rapid changes have taken place in the process of accumulation of the human capital since the fall of communism. After 12 years of transition, a wide tertiary participation gap has emerged between the titular ethnicity in each country and sizable (predominantly Russian speaking) ethnic minorities.**

In all three Baltic countries total number of tertiary students experienced a sharp increase in 1995-2003. This can be attributed to several factors: rising returns to education, which provided new strong participation incentives; removal of quantitative supply constraints; emergence of new fields of study; the lower ability barrier for those willing to pay; and introduction of study loans.

This historic change of environment has had another dimension. The Baltic countries have sizable ethnic minorities, predominantly Russian speaking (also Polish in Lithuania): 16% in Lithuania, 32% in Estonia, and 42% in Latvia (2002). By 1989, instruction in higher education institutions has been provided both in the language of ethnic majority (titular language) and in Russian, in proportions roughly consistent with population proportions. After regaining independence, instruction in state-financed higher education has switched to titular languages. By 2002, proportion of tertiary students (both state- and self-financed) receiving instruction in Russian was about 10% in Estonia and Latvia and less than 1% in Lithuania.

In studying the nature, strength and dynamics of correlation between demographic characteristics, parental income and education and children's education, we address the following questions:

- Conditional on family background, are schooling decisions and outcomes of ethnic minorities substantially different from that of majority population?
- How have the family background effects on schooling outcomes evolved during the transition?

Our data come from the 1999 Living Condition Survey NORBALT II and 2001– 2002 Labor Force Surveys.

During the transition, a wide tertiary participation and attainment gap has emerged between the titular ethnicity in each country and the ethnic minorities. In the 21-30 age cohort the ethnic gap is 8 and 10 percentage points in Estonia and Latvia respectively, compared to 2 percentage points for the 41-50 year olds. In Lithuania the gap has increased only slightly, and it has even become smaller in relative terms. For all three countries the gap in participation, and for Latvia and Lithuania also the gap in propensity

to complete higher education, remains significant after controlling for parental education and (as long as tertiary enrollment is concerned) parental income. Both the language issue and (especially in Estonia) lower returns to schooling might be among potential reasons.

Remarkably, however, the least troubleshooting dynamics in the distribution of human capital across ethnic groups is found in Lithuania, the only one of the three countries without a substantial provision of Russian-language higher education even by the private sector. The adjustment process here has been very fast.

What are the likely reasons of the Lithuanian phenomenon? One, which comes into the mind as first, is that minorities are better integrated in Lithuania than in the other two countries: according to the Population Census 2000-2001, 99% of population in Lithuania held Lithuanian citizenship, while this indicator was 80% in Estonia and 74.4% in Latvia. Young non-Lithuanians also have better state language skills than their peers in Estonia and Latvia. The fact that about half of Lithuanian minorities are ethnic Poles may play a role. Indeed, the Polish minority, which was the least educated one in Soviet times, have done more “catching up” than others and is now ahead of other minorities as long as tertiary enrollment is concerned. However, there is no significant difference in terms of secondary enrollment of the 15-18 year olds, in terms of propensity to complete higher education for 21-31 year olds, and in terms of the trend of this propensity over the transition period, so the Polish factor cannot be the major explanation.

In Estonia and (to a lesser extent) in Latvia, ethnic gap in secondary enrollment threatens to reinforce inequality in the distribution of human capital across ethnic groups. The difference between ethnic groups in current propensity to enroll in secondary education in Estonia is more than 7 percentage points among 15-18 year olds. By contrast, choice between general and vocational secondary education does not contribute to the ethnic gap. The unexplained ethnic gap in human capital is most pronounced and increasing in Latvia.

Parental (especially mother's) education is found to have a strong positive effect on propensity to enroll in and complete secondary and tertiary education, both in Soviet times and during transition. Some evidence is found for weakening of mother's higher education effect during the transition. At the same time the positive effect of father's higher education, as well as the negative effect of father not living in the household was strengthening in 1980s and 1990s. Plausibly, this manifests increasing importance of family income for schooling decisions.

Short-term and long-term income effects on postsecondary enrollment were found to be significant in late 1990s, although the size of the effect was modest: doubling per capita income increased the probability of participation in further education by 6-10 percentage points.

*Mihails Hazans is an associate professor at University of Latvia and a research fellow at Baltic International Centre for Economic Policy Studies (BICEPS) in Riga, Latvia; Olga Rastrigina has graduated from Central European University in Budapest, Hungary; Ija*

*Trapeznikova is a PhD student at North- Western University, US. The full text of the paper can be viewed at <http://ssrn.com/abstract=699443>*

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